MELVILLE SHOE CORPORATION

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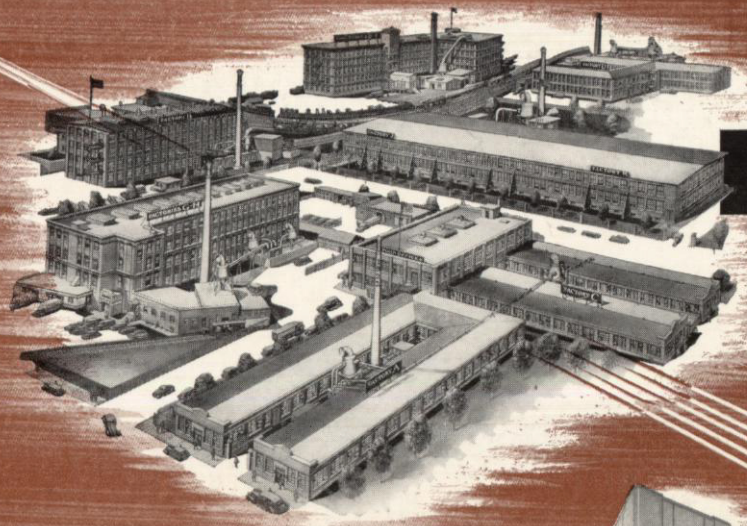
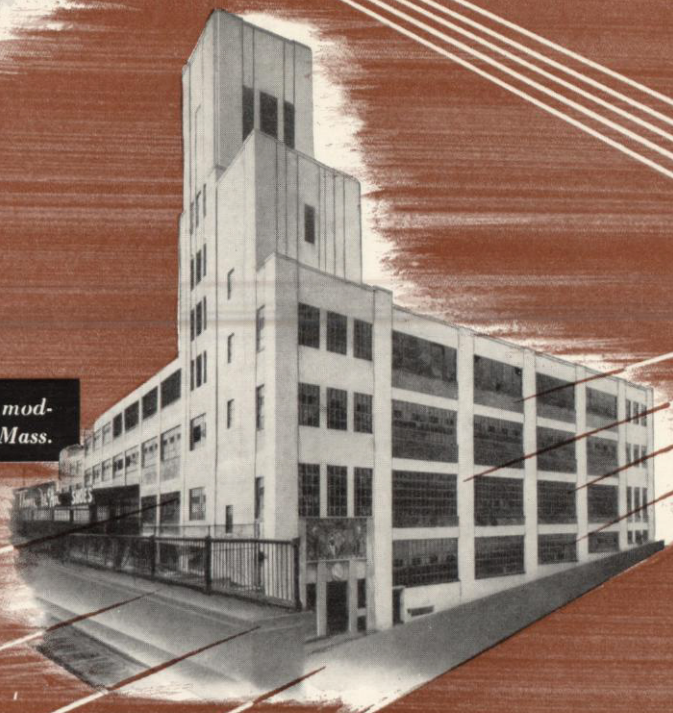
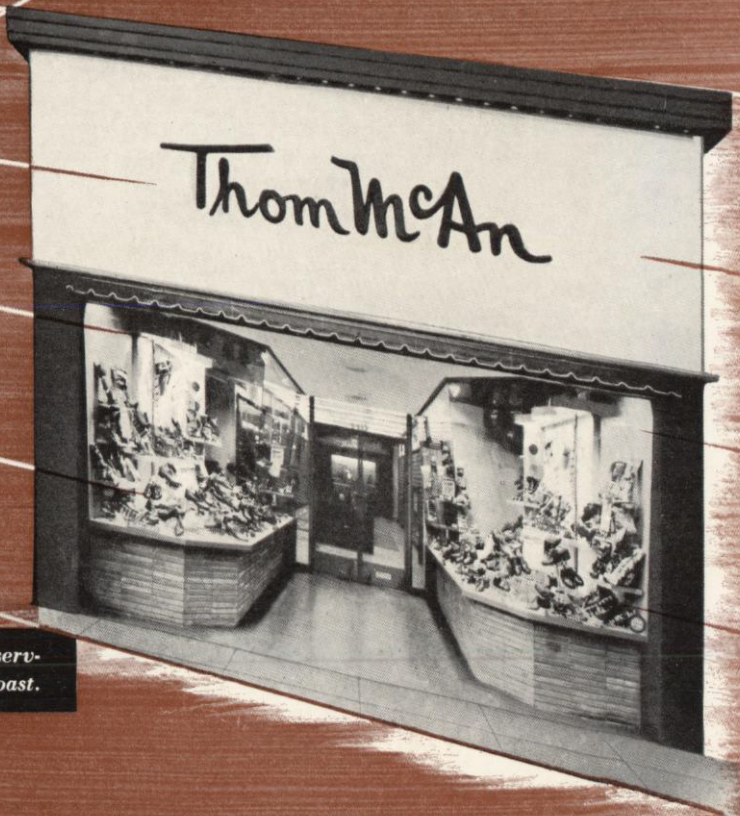
ANNUAL REPORT 1951



From: *the 12 mass production plants of the J. F. McElwain Co. in Nashua and Manchester, N. H., and Athol, Mass.*



Through: *Melville's large modern warehouse at Worcester, Mass.*



To: *the 567 Thom McAn retail stores, serving millions of customers from Coast to Coast.*

MELVILLE SHOE CORPORATION

Executive Offices:

25 WEST 43RD STREET, NEW YORK 36, N. Y.

Accounting, General Offices and Warehouse:

44 HAMMOND STREET, WORCESTER 3, MASS.

J. F. McELWAIN COMPANY

Factories:

NASHUA, N. H. (4); MANCHESTER, N. H. (7); ATHOL, MASS. (1)

General Offices:

103 TEMPLE STREET, NASHUA, N. H.

140 FEDERAL STREET, BOSTON 10, MASS.

MELVILLE SHOE CORPORATION

Directors

J. FRANKLIN MC ELWAIN, *Chairman*
FREDERIC ATTWOOD
GEORGE DICK
ROBERT C. ERB
LESTER R. FALLON
JOEL E. FISHER
FRANCIS H. GLEASON
WARD MELVILLE
JOSEPH L. MERRILL
FRANCIS P. MURPHY
SEWARD M. PATERSON
J. BRENT WELLS

Officers

WARD MELVILLE	*President*
LESTER R. FALLON	*Executive Vice-President*
JOSEPH L. MERRILL	*Vice-President, Finance*
GEORGE DICK	*Vice-President, Shoe Merchandising*
J. BRENT WELLS	*Vice-President, Sales Promotion, General Manager of John Ward Chain*
JOHN B. FITCH	*Vice-President, Personnel and Public Relations*
EDWARD W. HEMPHILL	*Vice-President, Hosiery Merchandising*
LEONARD A. SHEA	*Vice-President, General Manager of Thom McAn Gold Line Chain*
LAFAYETTE A. TREMBLAY	*Vice-President, General Manager of Thom McAn White Front Chain*
H. ALBERT BRODIN	*Treasurer*
JOEL E. FISHER	*Secretary*
FRANK SOKOL	*Assistant Treasurer*
ARTHUR PAAR	*Assistant Secretary*

J. F. McELWAIN COMPANY

Directors

J. FRANKLIN MC ELWAIN, *Chairman*
ROBERT C. ERB
RANDALL D. ESTEN
FRANCIS H. GLEASON
JAMES C. MACKAY
WARD MELVILLE
JOSEPH L. MERRILL
FRANCIS P. MURPHY
ROBERT A. T. NELSON
SEWARD M. PATERSON

Officers

ROBERT C. ERB	*President, General Manager, Head of Merchandising and Sales Division*
FRANCIS H. GLEASON	*Executive Vice-President, Assistant General Manager, Head of Upper Leather Division*
FRANCIS P. MURPHY	*Vice-President*
SEWARD M. PATERSON	*Vice-President*
ROBERT A. T. NELSON	*Vice-President, Head of Manufacturing Division*
JAMES C. MACKAY	*Vice-President, Head of Sole Leather Division*
RANDALL D. ESTEN	*Treasurer*
CLINTON P. WALLACE	*Comptroller*
AGNES H. FISCHER	*Assistant Treasurer*

Melville Realty Company, Inc. and R-W Realty Company, Inc.

ARTHUR PAAR, *President*
JAMES O. THOMAS, *Vice-President*
H. ALBERT BRODIN, *Treasurer*
JOEL E. FISHER, *Secretary*
BERTHA K. SMITH, *Assistant Secretary*

Counsel: DAVIS POLK WARDWELL SUNDERLAND & KIENDL
Auditors: PEAT, MARWICK, MITCHELL & CO.
Transfer Agent: IRVING TRUST COMPANY, *1 Wall Street, New York 15, N.Y.*
Registrar: CITY BANK FARMERS TRUST CO., *22 William Street, New York 15, N.Y.*

To the Stockholders of Melville Shoe Corporation:

Operations for the year 1951 are summarized on page 5. Detailed financial statements will be found on pages 6 and 7.

Net sales reached an all time high, $92,740,699, an increase of 20.3% over 1950. This was due to $19,539,148 sales to the Armed Forces.

Earnings before taxes also reached a new high, $10,456,529, an increase of 8.6% over 1950. This increase was not commensurate with the increase in sales, due to the fact that the military shoes are sold direct to the Armed Forces by the factories and do not include a retail profit.

Taxes also reached a new high, $7,228,010, up 27.8%.

Net earnings after taxes were $4,669,369, a decrease of 10%. Taxes were $2,558,641, or 55% more than net earnings.

Dividend payments during the year amounted to $1.80 per share on the common stock, the same rate which has been in effect during each of the past three years.

1951 was a year of sharp ups and downs in the shoe industry, as in most industries. At the outset, raw material prices rose sharply, due to the fear of an all-out war. Everybody, all down the line, almost without exception, tanners, manufacturers, wholesalers, retailers, customers, mindful of price ceilings and rationing, rushed in and purchased in excess of needs. Shoe prices rose with everything else. In due time the industry realized the situation was not comparable with the World War II situation. Correction and liquidation followed. In the third quarter material prices declined.

Shoes and materials are selling at lower than ceiling prices, and supply and demand seem to be in reasonable balance again. It is generally felt that controls and ceilings are now unnecessary, except on a stand-by basis, to be invoked only in the case of an all-out war.

The officers and directors wish to express their sincere appreciation to all of their 6,552 associates and co-workers in stores, warehouse, factories, and offices, for their continued cooperation in our effort to serve the public well, and to all those stockholders who sent in suggestions during the year. We whole-heartedly welcome suggestions for improving any phase of our operations or our reports, and we hope every stockholder will take a personal interest in the business.

Respectfully submitted,

J. Franklin McElwain

CHAIRMAN OF THE BOARD

Ward Melville

PRESIDENT

March 14, 1952

Description of the Business

Melville Shoe Corporation, founded in 1892 and incorporated in 1914, is the largest integrated shoe manufacturing-retailing organization in the United States. It is fifth in net sales and second in net earnings in the shoe industry. It operates 577 stores in 42 states and the District of Columbia; 12 factories in New Hampshire and Massachusetts; a warehouse in Worcester, Massachusetts, that distributes shoes to all stores and serves as a record-keeping center for accounting and merchandise distribution; a factory office in Boston, and an executive headquarters in New York. Of the 577 stores, 567 are Thom McAn stores selling popular-priced men's and boys' shoes; 10 are John Ward stores, located in the East, selling medium-priced men's shoes.

☆ ☆ ☆

The first Thom McAn store was opened in 1922. Although 83 of the 567 Thom McAn stores sell women's and children's shoes, in addition to men's and boys', 90% of the company's business is in men's and boys' shoes, hosiery and rubber footwear.

☆ ☆ ☆

Women's shoes and accessories are sold at locations where, because of the character of the neighborhood or other factors, it is desirable to operate a combination store. Many of these combination stores are in towns or neighborhoods where stores selling men's shoes alone could not be operated profitably.

☆ ☆ ☆

In 1939, Melville Shoe Corporation was merged with the J. F. McElwain Company, manufacturers of Thom McAn men's and boys' shoes, a company with which it had already worked in closest coordination for eighteen years. The companies, although under one ownership, and although closely coordinated in merchandising, remain entirely separate in operation—one concentrating on distribution and the other on production.

HIGHLIGHTS

	1951	1950	Percent Change
Sales:			
Factory	$ 54,847,259	$ 42,978,136	+27.6
Stores	71,075,477	70,886,795	+ .3
Total Sales	125,922,736	113,864,931	+10.6
Inter-company Sales	33,182,037	36,784,151	— 9.8
Net Sales	92,740,699	77,080,780	+20.3
Earnings Before Federal Taxes	10,456,529	9,630,686	+ 8.6
Net Earnings After Taxes	4,669,369	5,188,836	—10.0
Net Earnings Percent of Total Sales	3.71%	4.56%	
Net Earnings Percent of Net Sales	5.03%	6.73%	
Earnings Per Share of Common Stock	$2.00	$2.22	—10.0
Dividend on Common Stock	4,212,803	4,212,803	
Dividend Per Share of Common Stock	1.80	1.80	
Retained for Use in the Business	456,566	974,689	—53.2
Wages and Compensation	21,052,294	18,924,759	+11.2
Taxes—Federal, State and Local	7,228,010	5,653,838	+27.8
Taxes—Per Share of Common Stock	3.09	2.42	+27.8
Cash and Governments	16,523,927	13,472,929	+22.6
Inventories	8,161,136	9,927,011	—17.8
Total Current Assets	26,826,573	25,241,399	+ 6.3
Total Current Liabilities	11,197,224	9,836,032	+13.8
Net Working Capital	15,629,349	15,405,367	+ 1.5
Ratio of Working Capital	2.40	2.57	— 9.3
Bank Loans, Mortgages or Funded Indebtedness	None	None	
Capital Additions and Improvements	1,626,574	1,484,329	+ 9.6
Maintenance and Repairs	529,766	408,126	+29.8
Depreciation	1,338,447	1,261,057	+ 6.1
Plant, Property and Equipment	14,849,319	13,723,859	+ 8.2
Accumulated Depreciation and Amortization	8,289,658	7,415,772	+11.8
Number of Stockholders	12,455	10,219	+21.8
Number of Employees	6,552	6,517	+ .5
Number of Stores	577	560	+ 3.2
Number of Shares of Preferred Stock	None	None	
Number of Shares of Common Stock	2,340,458	2,340,458	

MELVILLE SHOE CORPORATION

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION AS OF DECEMBER 31 1951, WITH COMPARATIVE FIGURES FOR 1950

Net Assets in which Capital and Retained Earnings were Invested	*1951*	*1950*
Current assets:		
Cash	$16,006,091	$12,955,259
United States Government securities, at cost	517,836	517,670
Accounts receivable, trade and miscellaneous less provision for possible losses	1,513,055	1,292,686
Inventories, less provision for price decline:		
Finished goods	5,205,325	6,352,780
Work in process, raw materials and supplies	2,955,811	3,574,231
	8,161,136	9,927,011
Prepaid insurance, taxes, rents, supplies, etc.	628,455	548,773
Total current assets	26,826,573	25,241,399
Deduct current liabilities:		
Accounts payable	2,701,079	2,857,429
Accrued taxes, rents, royalties, and sundry expenses	2,116,345	1,969,603
Federal taxes on income, estimated	6,379,800	5,009,000
Total current liabilities	11,197,224	9,836,032
Working capital	15,629,349	15,405,367
Refunds of Federal taxes under Section 22(d)(6) of the Internal Revenue Code resulting from replacement of inventories maintained on "last-in, first-out" basis	1,488,901	1,488,901
Investments:		
Cash and United States Government securities, at cost, held by bank as security for store managers' deposits	142,000	142,000
Less store managers' security deposits	119,220	119,456
	22,780	22,544
Cash surrender value of $764,000 of life insurance policies on life of the President	290,014	272,825
	312,794	295,369
Property, plant and equipment, at cost:		
Land and buildings	1,881,693	1,875,626
Machinery and equipment	1,481,623	1,390,320
Store and office fixtures, improvements to leased properties and miscellaneous equipment	11,486,003	10,457,913
	14,849,319	13,723,859
Less accumulated depreciation and amortization	8,289,658	7,415,772
	6,559,661	6,308,087
	23,990,705	23,497,724
Deduct provision for self-insurance, etc.	377,635	341,220
	$23,613,070	$23,156,504

Sources from which Net Assets were Obtained		
Common stock, par value $1 each. Authorized 2,500,000 shares; issued 2,340,458 shares (par value $2,340,458)	11,407,355	11,407,355
Balance of earnings retained for use in the business	12,205,715	11,749,149
	$23,613,070	$23,156,504

and Subsidiary Companies

STATEMENT OF CONSOLIDATED EARNINGS AND BALANCE OF CONSOLIDATED EARNINGS RETAINED FOR USE IN THE BUSINESS YEAR ENDED DECEMBER 31 1951, WITH COMPARATIVE FIGURES FOR 1950

			1951	*1950*
Sales:				
Store and factory sales:			$125,922,736	$113,864,931
	1951	*1950*		
Store sales	$71,075,477	$70,886,795		
Factory sales	54,847,259	42,978,136		
Less inter-company sales			33,182,037	36,784,151
Net sales			92,740,699	77,080,780
Cost of sales and store operating, selling, general and administrative expenses			80,790,221	66,040,685
			11,950,478	11,040,095
Deduct:				
Depreciation			1,338,447	1,261,057
Employees' retirement plan			197,906	180,690
Other charges			67,738	52,982
			1,604,091	1,494,729
			10,346,387	9,545,366
Add:				
Net profit on real estate operations			37,281	33,600
Other income			72,861	51,720
			110,142	85,320
Earnings before Federal taxes			10,456,529	9,630,686
Federal taxes on income, estimated:				
Normal and surtax			5,242,165	4,207,299
Excess profits			544,995	234,551
			5,787,160	4,441,850
Net earnings			4,669,369	5,188,836
Deduct:				
Dividends paid:				
Preferred stock, 4% per annum			—	224
Common stock, $1.80 per share			4,212,803	4,212,803
			4,212,803	4,213,027
Premium on preferred stock redeemed, February 1, 1950			—	1,120
			4,212,803	4,214,147
Current earnings retained for use in the business			456,566	974,689
Amount at beginning of period			11,749,149	10,774,460
Balance of earnings retained for use in the business			$ 12,205,715	$ 11,749,149

See accompanying notes to financial statements on following page.

Notes to Financial Statements

1. INVENTORIES

Inventories have been determined on the basis of physical inventories taken principally during the latter part of the year and adjusted to the end of the year. A substantial part of the physical inventories was observed by the Companies' independent public accountants who also tested the inventory prices and computations. The Companies continued the policy of determining inventories by the elective method ("last-in, first-out") provided for in the Revenue Act of 1939 except as to approximately $1,687,000 at December 31, 1951 and $1,937,000 at December 31, 1950 stated at the lower of cost or replacement market (cost being computed principally on the basis of current average by classes, with some materials on the basis of specific invoice cost).

2. COMMON STOCK

The excess of common stock capital liability over the aggregate par value of issued shares amounting to $9,066,897 at December 31, 1951 represents capital arising from conversion of preferred shares of the par value of $100 each into common shares of the par value of $1 each and is included in common stock capital because of statutory requirements and resolution of the Board of Directors.

3. LONG-TERM LEASES

At December 31, 1951 the total minimum annual fixed rentals payable under leases expiring after December 31, 1956 was $853,000 per annum. Leases covering about 90% of this amount expire on various dates prior to December 31, 1961.

4. RETIREMENT PLAN

Melville Shoe Corporation has a contributory retirement plan for employees. The liability under the plan for the year ended December 31, 1951 amounted to $197,900. In the event the plan is continued from year to year the maximum payments on account of past service will aggregate approximately $528,000, of which $467,000 has been paid.

5. RENEGOTIATION

Under the provisions of the Renegotiation Act of 1951 a subsidiary company may be required to renegotiate contract prices of products furnished the United States Government. No provision has been made in the accounts for possible refund to the United States Government as it is believed that such refund, if any, would not be material.

To the BOARD OF DIRECTORS, MELVILLE SHOE CORPORATION, NEW YORK 2, N. Y.

We have examined the consolidated statement of financial condition of Melville Shoe Corporation and Subsidiary Companies as of December 31, 1951 and the related statement of consolidated earnings and balance of consolidated earnings retained for use in the business for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated statement of financial condition and statement of consolidated earnings and balance of consolidated earnings retained for use in the business present fairly the financial position of Melville Shoe Corporation and Subsidiary Companies at December 31, 1951 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PEAT, MARWICK, MITCHELL & CO.

Worcester, Mass., February 15, 1952

Twenty-Year Financial and Operating Record

Year	Stores at Year-end	Pairs Sold Retail	Pairs Per Store	Retail Sales	Factory Sales	Total Sales	Wages and Compensation	Taxes – all	Earnings before Fed. I. & E. P. Taxes*	Earnings After Taxes	Earnings Per Common Share**	Dividends Per Common Share***
1932	499	5,731,535	11,953	$20,594,311	$ 8,497,864	$29,092,175	$4,669,608	$367,652	$1,306,012	$1,185,338	$.51	$.38
1933	535	6,369,254	12,489	21,112,783	10,631,665	31,744,448	5,367,621	592,982	2,345,562	2,069,059	.88	.30
1934	588	7,686,068	13,635	27,215,927	14,398,684	41,614,611	6,834,385	770,788	3,072,171	2,634,265	1.13	.45
1935	609	9,085,155	15,388	30,355,524	16,947,267	47,302,791	7,765,484	871,106	3,477,078	3,001,984	1.28	.72
1936	651	9,907,356	15,654	35,300,758	19,578,204	54,878,962	8,630,006	1,283,826	4,282,927	3,534,897	1.51	1.25
1937	690	10,314,791	15,388	38,155,438	22,199,736	60,355,174	9,976,537	1,335,660	3,344,873	2,801,695	1.20	1.25
1938	677	10,146,182	14,732	36,042,285	19,053,609	55,095,894	9,390,127	1,364,004	2,808,403	2,295,534	.98	.75
1939	663	10,713,767	16,058	38,326,853	21,721,707	60,048,560	9,913,010	1,625,112	3,873,292	3,141,161	1.34	1.00
1940	666	10,933,085	16,458	40,260,777	22,446,029	62,706,806	9,847,880	1,921,556	4,339,218	3,210,961	1.37	1.12
1941	659	12,220,781	18,427	46,653,910	28,588,553	75,242,463	11,982,680	2,789,468	4,753,348	2,924,275	1.25	1.12
1942	579	11,857,383	19,020	51,644,040	36,982,550	88,626,590	13,990,280	5,714,719	7,478,200	2,582,863	1.10	1.00
1943	556	8,797,480	15,621	39,238,096	29,288,336	68,526,432	11,778,538	2,985,542	4,674,122	2,452,069	1.05	1.00
1944	549	8,397,002	15,234	37,051,163	33,238,881	70,290,044	13,018,344	2,545,030	3,884,527	2,192,797	.94	1.00
1945	536	8,840,691	16,338	41,216,792	34,956,285	76,173,077	14,038,031	3,008,300	4,631,577	2,400,907	1.03	1.00
1946	519	11,599,430	22,098	60,213,552	35,072,592	95,286,144	15,728,749	3,397,749	6,586,968	3,895,968	1.66	1.15
1947	519	11,017,192	21,364	71,992,773	48,566,594	120,559,367	18,747,576	4,971,733	9,437,690	5,419,690	2.32	1.65
1948	547	10,658,054	20,117	75,568,381	48,446,862	124,015,243	19,842,748	4,919,880	9,655,816	5,907,816	2.52	1.80
1949	560	10,311,100	18,595	71,864,212	43,292,986	115,157,198	19,258,854	4,640,645	9,099,339	5,538,010	2.37	1.80
1950	560	9,547,984	16,989	70,886,795	42,978,136	113,864,931	18,924,759	5,653,838	9,630,686	5,188,836	2.22	1.80
1951	577	8,534,675	15,106	71,075,477	54,847,259	125,922,736	21,052,294	7,228,010	10,456,529	4,669,369	2.00	1.80

*Actual consolidation of Melville Shoe Corporation and J. F. McElwain Company did not occur until December 22, 1939.

**On basis of the capitalization of Melville Shoe Corporation as of December 31, 1951.

***On Melville Shoe Corporation stock outstanding each year. Adjusted, all years, for 2-for-1 split; adjusted, before 1940, on basis of reclassification of stock incident to consolidation with J. F. McElwain Company, which involved exchange of 1 share of old common stock for 2 shares of new common stock and 1/10 share of preferred stock. Dividends on J. F. McElwain Company stock prior to 1940 not included.

Thom McAn Men Present 200 Millionth Pair Replicas To Nation's Mayors

■ As part of M.S.C.'s celebration of the production of the 200 millionth pair of Thom McAn shoes last month, copies of the historic pair were presented by store personnel to mayors of Thom McAn cities across the country. The shoes, which were of course supplied in the correct size and width, were given to each mayor as a token of Thom McAn's appreciation of the loyalty and support offered our stores by the people of the many cities in which we do business. To date, presentations have been made in over 200 cities in every section of the nation, usually in the mayor's office and occasionally in the local Thom McAn store. The ceremonies received considerable publicity in newspapers and on local radio programs. On this page are some of the many letters of thanks received from mayors throughout the country. Pictures on the opposite page showing actual presentations are as follows:

(1)—Rock Island, Ill.: Mgr. Herbert Groenewold, 433, left, and Mayor Kroppach.

(2)—Macon, Ga.: Mayor Wilson, proudly parking his new "Big Four" on his desk, returns the compliment by presenting key to city to Mgr. George Wade of 304.

(3)—Boston, Mass.: Mayor [illegible]

(7)—Holyoke, Mass.: Left to right, Mayor Torpfert, City Clerk Jubinville, and Mgr. Edward Ryan and Asst. John Tierney of 473.

(8)—Jackson, Miss.: Mgr. Bryce Gordon at 200 for Mayor Thompson.

[illegible] Mayor Post, right, [illegible] Elton Fox of 431.

[illegible] Mgr. Harry Tickner [illegible] town, right.

[illegible] Arthur Zeller.

MAYORS PUT THEIR BEST FEET FORWARD

As a sequel to last month's feature, here are four of Thom McAn men presenting 200 millionth-pa the mayors of their cities. Top: Manager John B 184, Memphis, Tenn., fits Mayor Overton as As Biggs (right) of 184 and Manager Wayne Ca also in Memphis, look on. Next below, Mana fits Mayor Graham in Store 456, Poug Assistant Edwin Kearns Hyman We

Story of presentation of replicas of 200 millionth pair to Mayors in Thom McAn cities is carried in "Melvillier," published monthly by and for Melville employees.

ABOVE: Factory employee representatives present scrolls pledging cooperation in production of military shoes. AT RIGHT: Highlighting factory celebration, President Ward Melville fits the 200 millionth pair on Governor Sherman Adams of New Hampshire.

A Brief Review of 1951

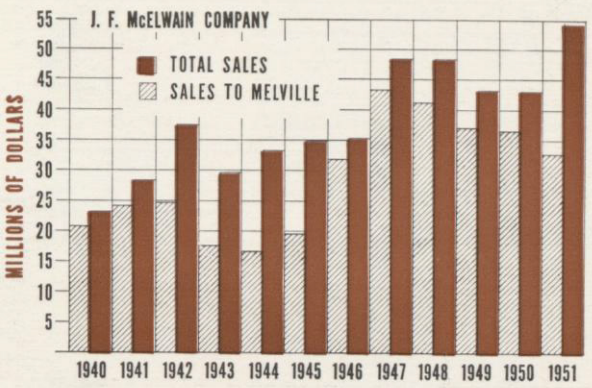
NET earnings for the year amounted to $4,669,-369 as against $5,188,836 in 1950. This is the equivalent to $2.00 per share, compared with $2.22 per share in the previous year. Earnings before taxes were $10,456,529, as against $9,630,-686 in 1950.

Total sales were $125,922,736 as compared with $113,864,931 in 1950. Sales at retail were $71,075,477, compared with $70,886,795 in 1950.

Total unit sales of shoes for the year, at retail and to outside customers, were 11,233,113 compared with 10,557,661 pairs in 1950. Unit sales of shoes at retail were 8,534,675, as compared with 9,547,984 pairs in 1950.

Hosiery sales were $5,017,147, compared with $5,433,194 in 1950. Unit sales of hosiery in 1951 were 10,508,944 pairs compared with 12,375,689 pairs in 1950.

Sales of the J. F. McElwain Company in 1951, including inter-company sales, were $54,847,259, an increase of 27.6%. The company sales at retail, during war times, naturally decline, as a great many of our best customers enter the armed forces. Our factory sales always have shown a substantial increase in war times, the result being that the increase in the net sales has far offset the decline in our retail sales. In 1951, for example, our retail sales gained but 0.3%, whereas our net sales increased 20.3%.



RETAIL OPERATIONS

In our 1950 Annual Report we said increases in shoe prices caused by soaring raw materials prices in late 1950 and early 1951 "were unwelcome to Thom McAn, which has always regarded itself as a purchasing agent for the consumer, with a permanent interest in making available to the public the lowest possible prices consistent with the maintenance of the Thom McAn standard of quality." Accordingly, when raw materials declined in price in the third quarter of 1951, Thom McAn's men's shoes were reduced in price at retail approximately $1 per pair, and boys' shoes were reduced 50¢ per pair.

Net inventories of $8,161,136 were down 17.8% from last year. This is due to close inventory control. As a result of the use of the LIFO method, inventory is valued at an amount substantially below today's market levels. Our fixed assets are carried on our books considerably under replacement values. Our net worth, on the basis of current market prices for inventory and replacement value for fixed assets is substantially more than shown in our statement.

DISTRIBUTION OF SALES REVENUE

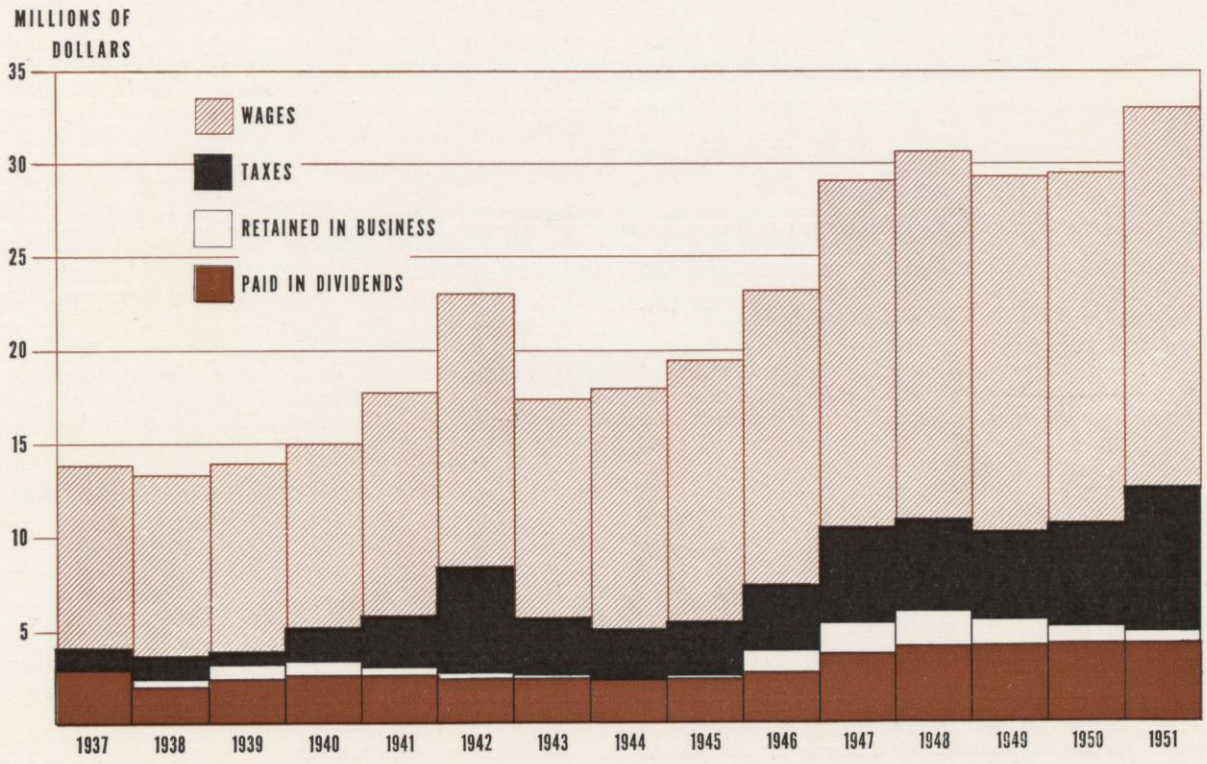
The distribution of the company's receipts from sales is shown below:

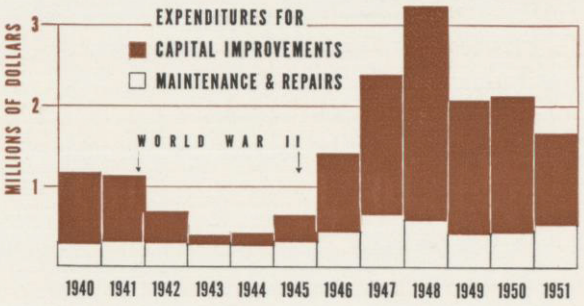
	In 1951	*In 1950*
The company received from customers for its products	$92,740,699	$77,080,780
The company paid for all expenses, exclusive of taxes and amounts paid to or for benefit of employees	59,791,026	47,314,691
Remainder	32,949,673	29,766,089
This was divided as follows:		
Wages, salaries, and employee benefits	21,052,294	18,924,759
Taxes	7,228,010	5,653,838
Dividends to stockholders	4,212,803	4,212,803
Retained for the needs of the business	456,566	974,689

After payments for materials, merchandise, taxes and other necessary expenses and the amount reinvested in the business, 83% of the distributable income went to the company's 6,552 employees, and 17% to its 12,455 stockholders.

Federal, State and local taxes were equivalent to $3.09 per share of common stock outstanding, compared with $2.42 per share in 1950. This is 55% more than the $2 per share earnings for common stock in 1951. Provisions for Federal income taxes amounted to $5,787,160, which is equal to $2.47 per share of common stock outstanding, of this amount $544,995 is to cover Federal excess profits taxes.

Earnings of the company in 1952 will be subject to excess profit tax after they have reached approximately $1.69 per share.





STORES

During 1951 the company remodelled, enlarged or otherwise improved 71 stores. 14 stores were replaced by new stores in different locations in the same communities. 1 store was closed and 18 new stores were opened. One of the new stores was opened in a new state, Idaho, at Boise. This makes 42 states in which the company now operates.

PUBLIC RELATIONS AND ADVERTISING

While we have always believed that our windows and the good word of our customers were our best advertisement, we have advertised our Thom McAn stores locally in newspapers and on the radio over a period of years. In 1951, television advertising also was employed in a number of markets, and for the first time a campaign of national advertising was undertaken (in Life Magazine) to reinforce the local promotional programs. We make and sell more men's dress shoes than anyone else, so our advertising states that "Thom McAn is America's #1 shoe—worn by more men than any other brand."

We are constantly broadening our public relations program, providing information concerning the company's activities to the public in the cities in which we have factories and stores, to the shoe industry, to our own personnel, and to the financial community. It is important that our efforts to be good corporate citizens and neighbors be known and understood.

During the year we featured the production of the 200 millionth pair of Thom McAn shoes. This milestone was celebrated in ceremonies held in the same factory in which the first Thom McAn shoe was made. It was attended by the Governor of New Hampshire, the Mayors of Nashua and Manchester, Army and Navy representatives, officers of our manufacturing and retail companies and the personnel of our original factory. Some who were present had worked in the same room when the first pair of Thom McAn shoes was produced. The highlight of the ceremonies was the presentation of the 200 millionth pair to Governor Sherman Adams of New Hampshire. President Ward Melville harked back to his early days as a shoe salesman and personally fitted Governor Adams. The Chairman of the Board, J. Franklin McElwain, told those who were present that the company had paid out to employees in New Hampshire over $155,000,000 since the company was founded in 1922. Mr. McElwain pointed out that this significant contribution to the economy of the area, maintained in good times and bad, had been made possible through the constant cooperation of all personnel and the good-will of the communities of Manchester and Nashua, as well as of the officials of the State of New Hampshire.

Concurrently with the factory celebration, the mayors of over 200 cities in which Thom McAn stores are located were presented with replicas of the 200 millionth pair. The shoes, which were specially made for each mayor, were presented as a token of appreciation of the loyalty and support given our Thom McAn stores by the people of their cities.

DIVIDEND RECORD

Melville Shoe Corporation has paid dividends each year since 1916, the year it began to function as a corporation. During the last ten years the com-

pany has paid out in common stock dividends 78% of earnings after preferred dividends. Total dividends paid in the ten years, on both common and preferred stock, were 79% of earnings. The company's capitalization now consists entirely of common stock.

STOCKHOLDERS

On January 10, 1952 the company had 12,455 stockholders living in 48 states, the District of Columbia, and four foreign countries.

Below is the classification the New York Stock Exchange requested:

Men	4,825
Women	4,785
Joint Accounts	2,023
Fiduciaries	376
Institutions and Foundations	62
Stock Brokers and Security Dealers	170
Nominees	74
Others	140

7,752 or 62.2 percent of our stockholders owned less than 100 shares.

12,259 or 98.4 percent of our stockholders owned less than 1,000 shares.

PROXIES

Proxies will be solicited on or about March 10, 1952, for the Annual Meeting to be held Monday, April 7, 1952.

STORES OF MELVILLE SHOE CORPORATION

as of December 31, 1951

John Ward

10 STORES

BOSTON • BROOKLYN (2) • NEWARK • NEW YORK (4) • PHILADELPHIA • WASHINGTON

Thom McAn

567 STORES

INCLUDING LEASED DEPARTMENTS (*) AND AGENCY (**), IN 328 CITIES IN 42 STATES AND THE DISTRICT OF COLUMBIA

ALABAMA (3)

Birmingham (2)
Mobile

ARIZONA (2)

Phoenix
Tucson

ARKANSAS (1)

Little Rock

CALIFORNIA (20)

Compton
Glendale
Hollywood
Huntington Park
Los Angeles (2)
Modesto
Oakland (2)
Palo Alto
Redwood City
Richmond
Sacramento
San Bernardino
San Diego
San Francisco (3)
San Jose
Santa Monica

COLORADO (2)

Denver (2)

CONNECTICUT (20)

Bridgeport (2)
Bristol
Danbury
Derby
Hartford (3)
Meriden
Middletown
New Britain
New Haven (3)
New London
Norwich
South Manchester
South Norwalk
Stamford
Waterbury

DELAWARE (1)

Wilmington

DISTRICT OF COLUMBIA (5)

Washington (5)

FLORIDA (13)

Fort Lauderdale
Jacksonville (2)
Lakeland
Miami (3)
Orlando
Pensacola
St. Petersburg
Tampa (2)
West Palm Beach

GEORGIA (6)

Atlanta (2)
Augusta
Columbus
Macon
Savannah

IDAHO (1)

Boise

ILLINOIS (28)

Aurora
Chicago (18)
Danville
Decatur
Joliet
Kankakee
Moline
Peoria
Quincy
Rock Island
Springfield

INDIANA (14)

Anderson
Elkhart
Evansville
Fort Wayne (2)
Gary
Hammond
Indianapolis (2)
Lafayette
Marion
Muncie
Richmond
South Bend

IOWA (2)

Davenport
Des Moines

KENTUCKY (8)

Ashland*
Covington
Lexington
Louisville (3)
Newport
Paducah

LOUISIANA (7)

Baton Rouge
Lake Charles
Monroe
New Orleans (3)
Shreveport

MAINE (2)

Lewiston
Portland

MARYLAND (13)

Baltimore (10)
College Park
Cumberland
Hagerstown

MASSACHUSETTS (43)

Attleboro
Boston (11)
  Allston
  Boston (3)
  Dorchester (2)
  East Boston
  Hyde Park
  Roslindale
  Roxbury
  South Boston
Brockton
Cambridge
Chelsea
Everett
Fall River
Fitchburg
Framingham
Gloucester
Haverhill
Holyoke
Lawrence (2)
Lowell
Lynn (2)
Malden
Medford
New Bedford (2)
Norwood**
Pittsfield
Quincy
Salem
Somerville
Springfield (2)
Wakefield
Waltham
Woburn
Worcester (2)

MICHIGAN (30)

Ann Arbor
Battle Creek
Dearborn
Detroit (12)
Ferndale
Flint
Grand Rapids
Hamtramck

Highland Park (2)
Jackson
Kalamazoo
Lansing
Muskegon
Pontiac
Port Huron
River Rouge
Saginaw
Wyandotte

MINNESOTA (5)

Duluth
Minneapolis (3)
St. Paul

MISSISSIPPI (6)

Biloxi*
Greenville
Hattiesburg
Jackson
Meridian
Vicksburg

MISSOURI (15)

Kansas City (3)
Maplewood
St. Joseph
St. Louis (10)

NEBRASKA (2)

Lincoln
Omaha

NEW HAMPSHIRE (2)

Manchester
Portsmouth

NEW JERSEY (36)

Asbury Park
Atlantic City
Bayonne
Bergenfield
Bloomfield
Camden (2)
Elizabeth
Hackensack
Harrison
Hoboken
Irvington
Jersey City (4)
Morristown
Newark (7)
New Brunswick
Orange
Passaic
Paterson
Perth Amboy
Plainfield
Red Bank
Somerville
Trenton
Union
Union City
West New York

NEW MEXICO (1)

Albuquerque

NEW YORK (118)

Albany (3)
Amsterdam
Bay Shore
Binghamton
Buffalo (7)
Elmira
Freeport
Glens Falls
Glen Oaks
Hempstead
Huntington
Jamestown
Kenmore
Levittown
Lynbrook
Mt. Vernon
Newburgh
New Rochelle
Niagara Falls
New York:
Manhattan (21)
Bronx (13)
Brooklyn (24)
Queens (18)
Richmond (2)
Peekskill
Port Chester
Poughkeepsie
Rochester (2)
Schenectady
Syracuse (2)
Troy
Utica (2)
Valley Stream
White Plains
Yonkers

NORTH CAROLINA (8)

Asheville
Charlotte
Durham
Greensboro
High Point
Raleigh
Wilmington
Winston-Salem

OHIO (41)

Akron (2)
Alliance
Canton
Cincinnati (5)
Cleveland (12)
Columbus (2)
Dayton (3)
Hamilton
Lima
Lorain
Mansfield
Middletown
Norwood
Portsmouth
Springfield
Steubenville
Toledo (3)
Warren
Youngstown (2)

OKLAHOMA (2)

Oklahoma City
Tulsa

OREGON (1)

Portland

PENNSYLVANIA (40)

Allentown
Altoona
Beaver Falls
Braddock
Chester
Erie (2)
Greensburg
Harrisburg
Hazleton
Homestead
Johnstown
McKeesport
New Castle
Philadelphia (16)
Pittsburgh (3)
Pottsville
Reading
Scranton
Uniontown
Upper Darby
Wilkes-Barre
York

RHODE ISLAND (9)

Newport
Pawtucket (2)
Providence (3)
Westerly
West Warwick
Woonsocket

SOUTH CAROLINA (4)

Charleston
Columbia
Greenville
Spartanburg

TENNESSEE (6)

Chattanooga
Johnson City
Knoxville
Memphis (2)
Nashville

TEXAS (29)

Abilene
Amarillo
Austin
Baytown
Beaumont
Brownsville
Corpus Christi (2)
Dallas (5)
El Paso
Fort Worth (2)
Galveston
Houston (4)
Laredo
Port Arthur
San Antonio (3)
Tyler
Waco
Wichita Falls

UTAH (2)

Ogden
Salt Lake City

VERMONT (1)

Burlington

VIRGINIA (7)

Lynchburg
Newport News
Norfolk (2)
Portsmouth
Richmond
Roanoke

WASHINGTON (2)

Seattle
Tacoma

WEST VIRGINIA (4)

Charleston
Clarksburg
Huntington
Wheeling

WISCONSIN (5)

Madison
Milwaukee (2)
Oshkosh
West Allis

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